

Message Text

UNCLASSIFIED

PAGE 01 LONDON 13713 01 OF 02 232056Z

64

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 AGR-20 DRC-01

/200 W

----- 068233

R 231905Z NOV 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5788

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDOC WASHDC

UNCLAS SECTION 01 OF 02 LONDON 13713

DEPARTMENT ALSO PASS FRB AND TREASURY FOR F. L. WIDMAN

E.O. 11652: N/A

TAGS: ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS - WEEK ENDING NOVEMBER 23

BEGIN SUMMARY: THE COMMONS HELD A MAJOR DEBATE ON

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 13713 01 OF 02 232056Z

ECONOMIC POLICY. REAL DISPOSABLE INCOME INCREASED BY 6

PERCENT IN 1972, A MODERN RECORD. RETAIL PRICES INCREASED TWO PERCENT IN OCTOBER, WHILE WAGES INCREASED ONLY marginally. UNEMPLOYMENT CONTINUES TO FALL. MONEY SUPPLY: (M1) INCREASED BY 1/4 PERCENT, M3 BY 1-1/2 PERCENT. GOLD FELL SLIGHTLY; STERLING DECLINED SHARPLY AGAINST DOLLAR, BUT IMPROVED AGAINST OTHER CURRENCIES. END SUMMARY.

1. IN A MAJOR DEBATE IN THE COMMONS THE CHANCELLOR REAFFIRMED THE GOVERNMENT'S COMMITMENT TO A POLICY OF GROWTH AND SAID TO ABANDON THAT STRATEGY NOW WOULD BE WRONG AND UNNECESSARY. THE GOVERNMENT SUCCEEDED IN DEFEATING LABOR'S "NO CONFIDENCE" MOTION 304 VOTES TO 286--A MAJORITY OF 18. (LONDON 13621)

2. THE PERSONAL STANDARD OF LIVING IN THE U.K., MEASURED IN TERMS OF REAL PERSONAL DISPOSABLE INCOME PER HEAD, ROSE BY 6 PERCENT IN 1972, FASTER THAN IN ANY OF THE PREVIOUS 20 YEARS. THE 1972 INCREASE HAS CONTINUED INTO 1973. PERSONAL INCOME BEFORE TAX ROSE BY MORE THAN 8.25 PERCENT BETWEEN SECOND HALF OF 1972 AND FIRST HALF 1973. REAL PERSONAL DISPOSABLE INCOME PER HEAD INCREASED BY 3.25 PERCENT DURING THIS SAME PERIOD.

3. THE RETAIL PRICE INDEX ROSE 2.0 PERCENT IN OCTOBER TO STAND AT 185.4 COMPARED TO 181.8 IN SEPTEMBER. (JAN 1967=100); A RISE OF 9.9 PERCENT OVER LAST OCTOBER. THE OCTOBER INDEX IS PARTICULARLY SIGNIFICANT IN THAT IT IS THE BASE MONTH FOR COST OF LIVING THRESHOLD AGREEMENTS TO BE MADE UNDER STAGE 3 OF ANTI-INFLATION PROGRAM. FOOD PRICES ALONE JUMPED 3.3 PERCENT, THE BIGGEST MONTHLY INCREASE SINCE JUNE, 1955.

4. IN OCTOBER THE INDEX OF BASIC WEEKLY WAGE RATES ROSE 0.3 PERCENT TO 119.8 (JULY 1972=100), 11.5 PERCENT ABOVE LAST OCTOBER LEVEL. THE ANNUAL COMPARISON, REFLECTING THE EFFECT OF THE COUNTER-INFLATION POLICY IN ITS EARLY STAGES, HAS BEEN EDGING DOWNWARD SINCE JUNE WHEN IT WAS 15.9 PERCENT ABOVE THE LEVEL OF A YEAR EARLIER. AVERAGE EARNINGS, WHICH INCLUDES OVERTIME AND OTHER PAYMENTS UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LONDON 13713 01 OF 02 232056Z

ABOVE BASIC RATES, WERE UP 13.1 PERCENT IN SEPTEMBER OVER SEPTEMBER A YEAR AGO. THE INDEX ROSE FROM 154.0 TO 156.3 BETWEEN AUGUST AND SEPTEMBER (JANUARY 1970=100). INCOMES WERE THUS RISING MORE SLOWLY THAN PRICES, WITH THE RETAIL PRICE INDEX UP BY 2.85 PERCENT BETWEEN AUGUST AND OCTOBER. WAGE RATES WERE UP BY LESS THAN 0.5 PERCENT AND EARNINGS UP BY 1.5 PERCENT DURING THE SAME PERIOD. (SEE DETAILS ON RETAIL PRICES ABOVE.)

5. UNEMPLOYMENT FELL TO 2.2 PERCENT FOR MONTH ENDING NOVEMBER 12 (AGAINST 2.3 PERCENT IN PREVIOUS MONTH). TOTAL UNEMPLOYED (S.A.) FELL 25,000 TO 490,000, LOWEST SEASONALLY ADJUSTED FIGURE SINCE APRIL 1967. UNFILLED ADULT VACANCIES INCREASED 4,000 TO 366,000. INCREASE IN VACANCIES SMALLEST SINCE AUGUST, 1972, LEADING TO SPECULATION THAT FIRMS ARE REDUCING HIRING PLANS, ALTHOUGH ACUTE LABOR SHORTAGES STILL EXIST IN MANY PARTS OF COUNTRY.

6. (A) A FURTHER RISE IN THE MONEY SUPPLY AND BANK LENDING DURING THE MONTH TO MID-OCTOBER PROVIDES THE BACKGROUND TO LAST WEEK'S MEASURES TO RESTRAIN THE RATE

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 LONDON 13713 02 OF 02 232057Z

64

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 AGR-20 DRC-01

/200 W

----- 068247

R 231905Z NOV 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5789

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USDOC WASHDC

UNCLAS SECTION 02 OF 02 LONDON 13713

OF MONETARY EXPANSION. IN THE FOUR WEEKS TO OCTOBER 17, M1 ROSE BY 25 MILLION POUNDS (S.A.) OR 1/4 PERCENT TO STAND AT 12,380 MILLION POUNDS. M3 ROSE BY 465 MILLION POUNDS (S.A.) OR 1-1/2 PERCENT TO STAND AT 30,870 MILLION POUNDS. OVER THE LATEST THREE MONTHS M1 HAS FALLEN BY 2-1/4 PERCENT AND M3 HAS RISEN BY 6-1/2 PERCENT, AN ANNUAL RATE OF 26 PERCENT.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 13713 02 OF 02 232057Z

6. (B) SOME CAVEATS ARE NECESSARY. THE CHANGE TO VALUE ADDED TAX HAS AGAIN COMPLICATED THE INTERPRETATION OF THE BANKING FIGURES. EXCEPTIONALLY LARGE TRANSFERS OF TAX TO THE EXCHEQUER DURING THE MONTH WHICH IT IS NOT YET POSSIBLE TO ALLOW FOR IN THE SEASONAL ADJUSTMENTS WILL HAVE TENDED TO DEPRESS THE RISE IN BANK DEPOSITS IN OCTOBER, AND THE TRUE UNDERLYING INCREASE IN M3 MAY HAVE BEEN NEARER 2-1/2 PERCENT. APART FROM THIS COMPLICATION, BOTH MEASURES OF MONEY HAVE BEEN AFFECTED IN RECENT MONTHS BY INTEREST RATE DEVELOPMENTS. HIGH RATES MUST HAVE TENDED TO REDUCE THE GROWTH OF M1 BY ENCOURAGING THE TRANSFER OF FUNDS OUT OF CURRENT ACCOUNTS INTO DEPOSIT ACCOUNTS. AT THE SAME TIME, THE RELATIVE CHEAPNESS OF SOME BANK LENDING COMPARED WITH SHORT-TERM MARKET RATES HAS INFLATED M3. MUCH OF THE INCREASE IN LENDING WAS IN THE FORM OF ADVANCES BY THE LONDON CLEARING BANKS. THERE SEEMS LITTLE DOUBT THAT THE PATTERN OF SHORT-TERM INTEREST RATES WAS AGAIN FAVORABLE TO ARBITRAGE OPERATIONS. MORE GENERALLY, IT PROBABLY ALSO ENCOURAGED THE BANK'S CUSTOMERS TO DRAW ON ADVANCES FACILITIES TO MEET TAX PAYMENTS OR OTHER EXPENDITURE RATHER THAN USE EXISTING LIQUID RESOURCES.

7. STERLING STRENGTHENED, THEN DECLINED AGAINST THE DOLLAR DURING THE WEEK, CLOSING AT \$2.3815 ON NOVEMBER 22. IT FELL MORE SHARPLY ON NOVEMBER 23, TOUCHING \$2.3650 AS THE MARKET ANTICIPATED GOOD U.S. TRADE FIGURES FOR OCTOBER. AGAINST OTHER CURRENCIES, THE FINANCIAL TIMES TRADE-WEIGHTED STERLING DEPRECIATION NARROWED, FROM 17.42 (REVISED) ON NOVEMBER 15 TO 16.95 ON NOVEMBER 22.

8. GOLD WAS RELATIVELY STEADY, FELL FROM \$91.00 ON

NOVEMBER 15 TO \$90.00 ON NOVEMBER 22.

9. FORWARD DISCOUNTS ON STERLING AGAINST DOLLAR WIDENED DURING WEEK.

	11/15	11/22	CHANGE
1 MONTH	0.95 (REV)	1.U2-1/2	UP 0.7-1/2
3 MONTHS	3.10	3.40-1/2	UP 0.30-1/2
6 MONTHS	6.15	6.82-1/2	UP 0.67-1/2

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LONDON 13713 02 OF 02 232057Z

(ALL FIGURES IN CENTS)

10. LOCAL AUTHORITY RATES GENERALLY STEADY AFTER LARGE INCREASES LAST WEEK.

	11/15	11/22	CHANGE
1 MONTH	14-1/16	13-3/4	DOWN 5/16
3 MONTHS	14-5/8	14-13/16	UP 3/16
6 MONTHS	14-3/4	14-13/16	UP 1/16

11. EURODOLLAR RATES EDGED UP SLIGHTLY.

	11/15	11/22	CHANGE
1 MONTH	9-7/8	9-15/16	UP 1/16
3 MONTHS	10	10-1/16	UP 1/16
6 MONTHS	9-3/4	9-13/16	UP 1/16

12. MINIMUM LENDING RATE ON NOVEMBER 23 WAS UNCHANGED AT 13 PERCENT.

ANNENBERG

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC DEVELOPMENT, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973LONDON13713
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731117/aaaaalzx.tel
Line Count: 258
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: hilburpw
Review Comment: n/a
Review Content Flags:
Review Date: 09 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09-Aug-2001 by maustmc>; APPROVED <20-Aug-2001 by hilburpw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC DEVELOPMENTS - WEEK ENDING NOVEMBER 23 BEGIN SUMMARY: THE COMMONS HELD A MAJOR DEBATE ON
TAGS: ECON, UK
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005